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ECHEVERRIA AND UNITED STATES-MEXICAN RELATIONS

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PRÉCIS

President Luis Echeverria is more sensitive to his country's problems than most of his recent predecessors. He is concerned about the threat that poverty and uneven development pose to political stability and economic growth, and about the ability of the long dominant party, the PRI, to provide political continuity and social peace. So far he has moved cautiously to attack these problems. He will probably remain cautious, because of limited resources, a fear that rapid change would itself endanger stability, and a desire not to undermine his own position or that of the PRI.

For domestic political reasons, Echeverria, like his predecessors, projects the strong nationalism that pervades Mexican society. This accounts in part for his criticism of the US and other rich nations for their policies toward the developing countries, and his more assertive line toward the US generally. He wants to play a conspicuous role as spokesman in Latin America and the Third World, not only to demonstrate Mexico's independence, but also to increase its prestige and to support a bid for regional leadership.

Mexico's circumstances and Echeverria's domestic objectives require that he maintain good relations with the US. He is in any event

not viscerally anti-American and he has a large measure of admiration for the US. His intention is to maintain his nationalistic credentials and play an assertive role abroad without damaging his much more important relationship with the US. Since Echeverria's assertiveness must be public, he tries to balance it by giving the US private explanations and assurances, and hopes that in Washington's eyes this will suffice. He also argues that Mexico can help the US by playing a moderating role with the nationalistic leaders of the hemisphere and in the Third World.

If Echeverria felt forced to choose between a continuation of his critical posture and the maintenance of good relations with the US, he would opt for the latter. In doing so, he would need room to maneuver his way without appearing to bow to US pressure.

THE ESTIMATE

I. THE PROBLEM

1. The behavior of President Luis Echeverria reflects an increasingly assertive line towards the US—particularly his role as spokesman for the Third World but also his sponsorship of additional controls over foreign business. This Estimate assesses the meaning of Echeverria's activities in the Mexican context and considers their implications for US interests.

II. MEXICO UNDER ECHEVERRIA

2. Echeverria is a shrewd, tough, practical politician, who worked his way to the top through the Institutional Revolutionary Party (PRI) and the Ministry of Government, which handles security and intelligence. The PRI has controlled Mexico's politics for decades. Under the Mexican system, Echeverria exercises almost unchecked authority over the government during his single term (1970-1976), though he must take into account the interests of the middle class groups and the party bosses that dominate the PRI.

3. Echeverria is more energetic than most of his recent predecessors and more aware of his country's problems. He sees the system that has provided 40 years of political stability and economic growth under challenge, and he intends to revitalize it. He has two broad domestic concerns. One is for poverty and uneven development and the threat they pose to political stability and continued economic growth. The other is for the health and effectiveness of the PRI, which he sees as increasingly isolated and unresponsive to popular needs, and in danger of losing its historical ability to provide for political continuity and social peace.

4. Despite his many statements on these matters, it is difficult to know the extent of the changes Echeverria has in mind. The problem of interpretation goes beyond the inevitable gap between actions and rhetoric. It reflects a degree of uncertainty imposed by the existence of contradictory pressures and goals.

The Problems of Uneven Development

5. Over half of Mexico's 52 million people are locked into poverty. During the postwar period the economy has grown at a very respectable rate of six percent per year, but the population is now expanding by well over three percent. The emphasis of government policy has been on modernization and rapid development, rather than on social welfare. The poor are still quiescent, as a result of apathy and fear of authority, but their numbers keep rising. Echeverria fears that in time the sheer magnitude of the problem will create an avalanche of pressure against constituted authority. Yet he knows that any substantial reduction of poverty will take decades, perhaps generations, and that a major attack on it would overtax available resources.

6. In a barrage of propaganda, Echeverria has castigated the privileged classes for their indifference to the problem of poverty, and has called for far-reaching change. He probably hopes to placate the poor and disarm radical critics of the system. But his immediate objective is to convince the conservative elites that it is in their own best interest to join him in addressing the problems of poverty and uneven development in practical and measured ways.

7. Despite his rhetoric, Echeverria has moved cautiously so far. There have been some tax and budget changes aimed at re-

distributing income, some changes in investment priorities designed to stimulate industrial development in rural areas, and the beginnings of a program to reduce the birthrate. He will probably stick to cautious and limited measures, because of the constraints under which he must operate: limited resources, the need to maintain rapid growth even as its fruits are distributed more equitably, and the fear that rapid change would cause a backlash among investors and in the PRI and endanger political stability.

Dealing with Political Tensions

8. The PRI has ruled unchallenged for decades.

As in other countries, there is growing frustration among the politically articulate at the inability of new or critical political groups to make their views felt within the system. Echeverria is worried about the growing political tensions and the need to revitalize the PRI. He has tried to ingratiate his administration with students, young professionals, and other disaffected elements, inviting them to make their influence felt within the PRI, or outside it as a loyal opposition.

9. Although Echeverria is probably sincere in wanting to co-opt or accommodate his critics, there are limits on what he can do. The main constraint is an unwillingness to jeopardize the political monopoly of the PRI or to undercut his own primacy. Also, Echeverria and his colleagues are products of the system. They see the PRI as the only legitimate ruling force, and their instinct is to equate any organized activity against government policy with subversion. Thus, the government has reacted forcefully to political activity which it views as unacceptable challenges to its control, e.g., student demonstrations, pressures for greater local autonomy, and demands for a genuine two-party system.

10. Given the conflicting desiderata, it is questionable whether Echeverria can succeed in what amounts to a delicate balancing act. He will be able to maintain political stability during his own term, but it is doubtful that he can prevent the buildup of political tensions and frustrations over the longer run.

III. ECHEVERRIA AND THE UNITED STATES

11. Contradictory pressures and values are also at work in Echeverria's relations with the US. His attitude toward the US contains a large measure of admiration, mixed though it is with envy and resentment. He accepts as inescapable that Mexico's national destiny is tied closely to that of the US. But for domestic political reasons, he also feels it imperative to maintain a nationalistic posture.

12. Echeverria realizes that a cooperative relationship is essential to Mexico's economic development and, ultimately, to its political stability. Whereas trade between the two countries accounts for three percent of total US exports and imports, it accounts for 60 percent of Mexico's. Total Mexican imports, which are mostly capital goods and raw materials needed for industrial growth, currently exceed exports by about $1 billion per year. This deficit is made up by earnings from US tourism, by remittances from Mexicans working in the US, and by foreign investment and credit, mostly from the US. Thus, the Mexican economy is vulnerable to a deterioration of relations with the US.

13. Nevertheless, Echeverria feels he must be responsive, to a greater or lesser degree, to the strong nationalism that pervades Mexican society. It is a nationalism much like that of many other developing nations. It also reflects the acute sensitivity of Mexicans to the overwhelming power and wealth of their

neighbor to the north. Even on relatively minor issues they demand a vigorous defense of national interests by their President. Whatever the source, they resent what they view as interference in their affairs or as threats to their national interests. Echeverria, who is wary of communism, was quick to expel five ranking members of the Soviet Embassy in 1971, because the USSR had been indirectly involved in the movement of Mexican extremists to North Korea for training in guerrilla warfare.

14. Echeverria is ambitious to achieve a prominent role for Mexico as spokesman for the developing nations. He wants to demonstrate Mexico's independence, elevate its international prestige, and support a bid for leadership in regional affairs. From his point of view, the more independence of US interests he can exhibit the greater the payoff domestically and internationally—including, perhaps, increased leverage on US actions towards Mexico. He has posited an adversary relationship between the developed countries and the have-not nations, and he has been highly critical of the US and other rich nations for alleged injustices perpetrated against the underprivileged Third World. Still, Echeverria has no intention of damaging his much more important relations with the US to achieve the gains he anticipates from a more assertive role in Third World and regional affairs.

15. Since his assertive role must be a public one, he balances it by giving the US frequent private explanations of his purposes and assurances of his basic friendship. He insists that Mexico will be in a position to play a moderating role among nationalist nations and to serve as counterpoise to such vociferous exponents of "anti-imperialism" as Castro and Allende. But Echeverria feels he must maintain a credible independence of US policy to play a moderating role. This dualism will be reflected in efforts by Echeverria to serve as diplomatic bridge between Washington and some of the capitals of Latin America, as he has privately offered to do.

16. It is essential to Echeverria that Washington understand and accept the game he plays. Because of what he sees as a good track record of support for the US when it really counts, he probably believes that Washington does. If he became convinced that the US considered his words and actions too costly to its own interests, he would draw back, provided he did not feel pushed to the wall.

IV. BILATERAL PROBLEMS OF CURRENT CONCERN: INVESTMENT, SALINITY, DRUGS

Restrictions on Foreign Investment

17. The relationship between government and business in Mexico in recent years has been described as an "alliance for profits". Though in past decades Mexico led the way in Latin America in imposing controls over foreign capital, the impact of the various restrictions has been outweighed by special advantages for US investors: proximity, political stability, a relatively large domestic market, sound financial management, and especially a strong record on such sensitive matters as the remittance of profits and compensation for nationalized foreign assets. There now is more than $3 billion of direct foreign investment in Mexico, of which about two-thirds is from the US.

18. Mexico has recently passed laws which expand government control over foreign business. They call for closer scrutiny of new investment proposals, majority Mexican control over new enterprises, and government review of contracts involving the import of technology. The laws will make Mexico somewhat

less attractive as a locale for foreign investments. They are in part, however, a response to requests from foreign businessmen for a clear statement of the rules of the game, and they will probably blunt the thrust of ultranationalistic elements who would like to severely curtail the role of foreign capital. The measures affecting investment represent for the most part a codification of existing practices, and they give the government broad discretionary powers to grant exceptions. Such exceptions will be forthcoming, if only because Mexico cannot produce the capital to acquire a 51 percent share of all new enterprises.

19. Through these and subsequent measures, Echeverria will aim to increase the Mexican share of ownership and management of business enterprises, to channel new investment and technology in accord with Mexican priorities, and to reduce the visibility of US participation in the economy. To the latter end, he will also encourage European and Japanese investment. As a result, some US businessmen will experience reduced opportunities, closer supervision of their activities, and, in certain cases, smaller profit margins.

20. But Echeverria gives every indication that he intends the impact of his measures to be gradual and moderate, and that foreign investment will be welcome as long as it has a good export potential, introduces new technology, and helps to reduce unemployment. He will work to avoid damage to the business climate by consulting regularly with the leaders of the American community, by enforcing new measures judiciously, and by backtracking discreetly should that prove necessary. Echeverria realizes that a broad loss of confidence in Mexico would ruin the now strong prospects for a continued high rate of economic growth.

Salinity

21. Echeverria has staked his personal reputation on gaining an equitable solution to the problems of the Mexicali region, where the waters of the Colorado River flowing in from the US have a saline content which adversely affects agriculture. He has led the Mexican public to expect some dramatic concession from the US, and he appears confident that the Brownell study, personally commissioned by President Nixon, will resolve the long-standing impasse. Unless he sees substantial progress soon, Echeverria will feel impelled to seek adjudication by a third party or to present a claim for redress at the World Court.

Drug Control

22. Mexico is both a producer of illicit drugs for the US market and a conduit for drugs produced elsewhere. The Echeverria government has agreed to cooperate fully with the US effort against the drug traffic. It has committed considerable resources to support the commitment, and in response to US urging, would probably commit more. But even with all of Echeverria's political clout, the flow of drugs will be difficult to slow and all but impossible to stop, so long as the US market remains profitable.

23. Because of these domestic constraints and because he will want to avoid the appearance of acting under US pressure, Echeverria will feel it necessary to move gradually

and carefully. The control of drugs could therefore become a serious bilateral issue. Echeverria would expect, and accept, some US criticism of the Mexican effort. But he would resent an accusation that he personally was being non-cooperative, and he would resist US pressures to put into effect a stronger control effort than he thought feasible. He would probably react by charging the US with interference in Mexican affairs and by reducing Mexican cooperation, at least temporarily. He would almost certainly try to minimize the impact of the drug issue on other aspects of bilateral relations.

V. IMPLICATIONS

24. The principal finding of this assessment is that Echeverria needs and wants a cooperative relationship with the US. His initiatives in the areas of Third World leadership and control over foreign investment are less important to him, even though for domestic political reasons he feels it imperative to maintain a generally nationalistic stance. Thus, if it became clear that he was endangering Mexico's relations with the US, he would modify his public posture—though he would need room to maneuver his way, without appearing to bow to US pressure.

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